

City of Nightmute

Assessment of Management Capacity Indicators

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Division of Community and Regional Affairs
Department of Commerce, State of Alaska
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Introduction

The City of Nightmute report was completed by Rural Utility Business Advisor program staff Eli Jacobson as a requirement for a proposed grant-funded sanitation project. The report was completed with the voluntary assistance of the utility staff and based on information provided to the RUBA program. Specific documents provided by the utility staff are in the Bethel regional office for viewing if requested.

The goal of the RUBA program is to help small communities implement utility management practices that will improve the utility's ability to provide safe drinking water to their communities on a sustainable basis. The RUBA assessment evaluates essential and sustainable indicators necessary for the managerial and financial health of the utility. These indicators are organized under the following sections:

- Utility Finance
- Accounting Systems
- Tax Problems
- Personnel System
- Organizational Management
- Operation of Utility

Essential Indicators identify policies and practices that are critical to the short-term operation of a utility. ***Sustainable Indicators*** identify policies and practices that make a utility cost-effective to operate and increase the likelihood of long-term financial success.

The Essential Recommendations are limited to those items needed to meet deficient essential indicators. Only the essential indicators are required to be met under the grant conditions. The Sustainable Recommendations are intended to improve cost effectiveness and sustainability of the utility.

The City of Nightmute operates and manages the following utility services:

- Community watering point
- Wastewater removal service
- Water/wastewater lines to the school and health clinic

Capacity Indicators

On 11/5/2014, RUBA staff Eli Jacobson met with City of Nightmute staff to complete a RUBA Assessment of Management. City of Nightmute staff provided documentation supporting the conclusions in this report. Specific documents used in this report included:

- Notes from RUBA Assessment Field Survey Form
- The FY15 amended budget and a copy of the amendment non-code ordinance dated October 3, 2014
- Correspondence with the Department of Labor on September 25, 2014
- The July-August 2014 Lien Watch A Review of Small Community Liens
<http://commerce.state.ak.us/dnn/dcra/ResearchAnalysis/LienWatch.aspx>
- Employers Notice of Insurance (Alaska Municipal League Joint Insurance Association, Inc.) documenting workers compensation insurance coverage for 7/1/014 through 7/1/15
- City of Nightmute's personnel policy
- Written job descriptions for each city position.
- The July 2014 Significant Non-Compliance website
<http://www.dec.state.ak.us/eh/dw/dwmain/SNC.htm>

Finances

Essential Indicators

Yes No

- | | | |
|-------------------------------------|-------------------------------------|--|
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | All revenues and expenses for the utility are listed in the utility budget. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | The utility has adopted a balanced realistic budget. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | Monthly financial reports are prepared and submitted to the policy making board. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | The utility is current in paying all water/wastewater electric bills. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility has on hand a year's adequate fuel supply or it has a financial plan to purchase an adequate supply. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | The utility is receiving revenues (user fees or other sources) sufficient to cover operating expenses. |

Sustainable Indicators

Yes No

- | | | |
|--------------------------|-------------------------------------|--|
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | The utility is receiving revenues (user fees or other sources sufficient to cover operating expenses and Repair & Replacement (R) costs. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | YTD revenues are at a level equal to or above those budgeted. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | YTD expenditures are at a level equal to or below those budgeted. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | A monthly manager's report is prepared. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | Budget amendments are completed and adopted as necessary. |

The City of Nightmute adopted the FY15 budget on October 3, 2015. The budget is for the period of July 1, 2014 through June 30, 2015. The budget does not show all revenue and expenses for the utility. The city budget has total revenue equaling \$391,403.11 and total expenditures equaling \$869,259.36. Therefore, the budget is not balanced or realistic. Monthly financial reports that compare year-to-date revenues and year-to-date expenditures to annual budgeted amounts are not available. The utility did not have documentation that the electric bills currently paid. Nightmute has a one-year supply of fuel. The city does not have a repair and replacement fund. Currently, year to date revenues and expenditures cannot be determined. The city does not amend the budget as necessary.

Accounting Systems

Essential Indicators

Yes No

- | | | |
|-------------------------------------|-------------------------------------|---|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility has adopted a collection policy and actively follows it. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility bills customers on a regular basis. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | An accounts receivable system is in place which tracks customers and reports past due accounts and amounts. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | An accounts payable system is in place. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | The payroll system correctly calculates payroll and keeps records. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | A cash receipt system is in place that records incoming money and how it was spent. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | The utility has a cash disbursement system that records how money was spent. |

Sustainable Indicators

Yes No

- ☐ ☒ A chart of accounts is used that identifies categories in a reasonable, usable manner.
- ☐ ☒ Monthly bank reconciliations have been completed for all utility accounts.
- ☐ ☒ The utility has a purchasing system that requires approval prior to purchase, and the approval process compares proposed purchases to budgeted amounts.

The City of Nightmute has a collection policy and actively follows it. Customers prepay before receiving wastewater removal service. An accounts receivable and accounts payable system is not currently in place. The city does not have a system to calculate payroll and keep records. Nightmute does not have cash receipt or disbursement system. The city does not have a chart of accounts. Monthly bank reconciliations are not completed for all utility accounts. A purchasing system has not been established.

Tax Problems

Essential Indicators

Yes No

- ☐ ☒ The utility has a system to accurately calculate, track, and report payroll tax liabilities.
- ☐ ☒ The utility is current on filing tax reports.
- ☐ ☒ The utility is current on making tax deposits.
- ☐ ☒ If there are any past due tax liabilities or recorded tax liens, a lien release has been issued or a repayment agreement has been signed and repayments are current.

The utility does not have a system to accurately calculate, track, and report payroll tax liabilities. On September 18, 2014 the IRS deemed the City of Nightmute not compliant on federal taxes for not filing for the first two quarters of 2013 and 2014. The IRS also communicated that Nightmute has not made deposits for the second quarter of 2013. The state Department of Labor (DOL) was contacted on September 25, 2015. DOL verified that the City of Nightmute is current on their Employment Security Contributions account. The City of Nightmute is on the Lien Watch dated July-August 2014.

Personnel System

Essential Indicators

Yes No

- ☒ ☐ The utility has a posted workers compensation insurance policy in effect.

Sustainable Indicators

Yes No

- ☒ ☐ The utility has adopted and uses a Personnel Policy, which has been reviewed by an attorney, AML or Commerce for topics and language.
- ☒ ☐ The utility has adequate written job descriptions for all positions.
- ☒ ☐ The utility has adopted and follows a written personnel evaluation process that ties the job description to the evaluation.
- ☒ ☐ The utility has an adequate written hiring process.
- ☐ ☒ The utility has personnel folders on every employee that contain at least: I-9, Job Application and Letter of Acceptance.
- ☒ ☐ The utility has a probationary period for new hires that includes orientation, job training/oversight, and evaluations.
- ☒ ☐ The utility provides training opportunities to staff as needed and available.

The City of Nightmute's workers compensation insurance is through the Alaska Municipal League Joint Insurance Association, (AMLJIA) for the period of July 1, 2014 to July 1, 2015. A personnel policy has been adopted. The city has written job descriptions, a written personnel evaluation process, and a written hiring process. Personnel folders do not contain job applications, I-9's, and letters of acceptance. The city has a three-month probationary period in the personnel policy. On-the-job training and additional training opportunities are provided as necessary. Staff are encouraged to pursue further training opportunities.

Organizational Management

Essential Indicators

Yes No

- ☒ ☐ The entity that owns the utility is known; the entity that will operate the utility is set.
- ☐ ☒ The policy making body is active in policy making of the utility.
- ☐ ☒ The policy making body enforces utility policy.

- ☐ ☒ The utility has an adequately trained manager.
- ☐ ☒ The utility has an adequately trained bookkeeper.
- ☒ ☐ The utility has an adequately trained operator or operators.
- ☒ ☐ The utility has adopted the necessary ordinances (or rules and regulations) necessary to give it the authority to operate.

Sustainable Indicators

Yes No

- ☐ ☒ The utility has adopted an organizational chart that reflects the current structure.
- ☐ ☒ The policy making body meets as required.
- ☒ ☐ The utility complies with the open meeting act for all meetings.

The City of Nightmute owns the utility, and is the policy making body. The city is not active in making policy for the utility. The city sewer removal service operates on a prepay basis. The city administrator performs managerial duties but has only worked for the city intermittently since the beginning of September 2014. The utility does not have an adequately trained bookkeeper. The water operator is certified for the water treatment facility. The city has adopted ordinances that give the utility authority to operate, however the city does not have an adopted organizational chart. City meetings are posted in three different public places and the requirements for the Open Meetings Act are met.

Operation of Utility

Essential Indicators

Yes No

- ☒ ☐ The utility operator(s) are actively working towards necessary certification.
- ☐ ☒ The utility has a preventative maintenance plan developed for the existing sanitation facilities.

Sustainable Indicators

Yes No

- ☐ ☒ The manager receives a monthly O&M report from the utility operator and routinely "spot checks" the facilities to see that the maintenance items are being completed.
- ☐ ☒ The utility has a safety manual and holds safety meetings.

- ☒ ☐ Utility facilities have not suffered any major problems/outages due to management issues that are unresolved.
- ☒ ☐ The utility is operating at the level of service that was proposed.
- ☒ ☐ The operator provides status reports to the manager on a routine basis.
- ☐ ☒ The utility has completed and distributed its "Consumer Confidence Report".
- ☐ ☒ The utility is not on the "Significant Non-Complier" (SNC) list.
- ☐ ☒ The utility maintains an inventory control list.
- ☐ ☒ The utility maintains a critical spare parts list.

The City of Nightmute hired a new operator In April 2014. The operator went to training and received the necessary certification for the system. The operator plans to attend additional training as needed. A preventative maintenance plan has not been developed for the water plant. The operator reports regularly to the manager, but the manager does not spot check the facility. The utility does not have a safety manual or hold regular safety meetings. The utility has reliably produced water since April 2014. The city does not have a posted CCR. The city is on the July 2014 Significant Non-Compliance list. The utility does not have an inventory control or critical spare parts list.

Essential Recommendations

The City of Nightmute has not met all of the essential capacity indicators. In order to meet them, the utility must take the following actions:

- Amend the FY2015 budget so it is balanced and realistic, and record it in the meeting minutes.
- Submit monthly financial reports to the city council and record them in the meeting minutes.
- Document that the utility electric bills are being paid.
- Document that sufficient revenues are being received to cover operating expenses.
- Establish accounts receivable, and accounts payable systems.
- Develop a system that correctly calculates payroll and keeps records.
- Create a cash receipt system is in place that records incoming money and what it was for.
- Develop a cash disbursement system that records how money was spent.
- File reports and pay taxes necessary to come back into compliance with the Internal Revenue Service.
- Make employment security contributions and reports necessary to come into compliance.
- Ensure that the policy making body is active in in policy making of the utility and enforcing it.
- Send the manager and bookkeeper to necessary training.
- Develop preventative maintenances plans for the sanitation facility and water plant.

Sustainable Recommendations

The City of Nightmute has not met all of the sustainable capacity indicators. The City of Nightmute can work to improve sustainable indicators as follows:

- Create a separate account for depositing sufficient revenues to cover repair and replacement cost, and show this in the line items on the budget.
- Ensure that revenues are at a level equal to or above those budgeted.
- Ensure that expenditures are at a level equal to or below those budgeted.
- Submit monthly manager's reports.
- Have the council adopt budget amendments as needed.
- Develop a chart of accounts that identifies categories in a reasonable useable manner.
- Complete monthly bank reconciliations.
- Create a purchasing system that requires approval prior to purchase, and compares proposed purchases to budgeted amounts.
- Establish personnel folders that include I-9's, job application, and letters of acceptance.
- Adopt an organizational chart that reflects the current structure.

- Have the council meet regularly as required.
- The Administrator should also conduct routine spot checks of the utility facility to ensure maintenance tasks are being completed.
- Create a safety manual and conduct regular safety meetings that are recorded.
- Complete and distribute a consumer confidence report, and meet all other required regulations.
- Send in water samples consistently to get off the significant non-compliers list.
- Create an inventory control list.
- Create a critical spare parts list.

Conclusion and Next Step

By implementing RUBA recommendations and working with the RUBA program to continue improving management practices, the City of Nightmute will put itself into position to better meet unanticipated financial costs and increase the long-term sustainability of all utilities.

The City of Nightmute staff was open and helpful with providing information to complete this assessment. They realize the importance of community health, financial stability, effective utility management practices and sustainability.

RUBA staff is available to provide ongoing assistance in improving management practices and sustainable utilities.